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BILL ANALYSIS

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House Bill 5096 (Substitute H-1 as passed by the House)
Sponsor: Representative Kristian Grant
House Committee: Economic Development and Small Business
Senate Committee: Committee of the Whole

Date Completed: 11-2-23

CONTENT

The bill would amend the Michigan Renaissance Zone Act to allow the Board of Directors of the Michigan Strategic Fund (Board of the MSF), instead of the Renaissance Zone Review Board, to designate any remaining undesignated renaissance zones for renewable energy facilities, forest products processing facilities, and border crossing facilities, beginning October 1, 2023.

The Act establishes and governs renaissance zones, which are designated areas where residents and local businesses receive exemptions, deductions, or credits for certain taxes.[1] There are multiple types of renaissance zones, including renaissance zones for renewable energy facilities, renaissance zones for forest products processing facilities, and renaissance zones for border crossing facilities.

Currently, the Renaissance Zone Review Board reviews and approves applications for the zones described above. The Act allows the review board to designate 15 renaissance zones for renewable energy facilities, 10 renaissance zones for forest products processing facilities, and 25 renaissance zones for border crossing facilities. Beginning October 1, 2023, the bill would allow the Board of the MSF to designate any remaining renaissance zones for renewable energy facilities, forest products processing facilities, and border crossing facilities.

In designating one of these renaissance zones, the Board of the MSF would have to consider the same criteria that the Renaissance Zone Review Board considers when designating a renaissance zone for renewable energy facilities, forest products processing facilities, and border crossing facilities. The Board of the MSF could revoke the designation of all or a portion of a renaissance zone for the same reasons that the Renaissance Zone Review Board may revoke the designation of all or a portion of a renaissance zone for renewable energy facilities, forest products processing facilities, or border crossing facilities.

Renaissance Zone Status Extensions

Currently, the Board of the MSF may designate additional renaissance zones in one or more qualified local governmental units if that qualified local governmental unit or units contain a military installation that was operated by the United States Department of Defense and has closed after 1990. Additionally, the Board may designate 27 additional renaissance zones in one or more cities, villages, or townships if that city, village, or township or combination of cities, villages, or townships consents. One of these zones must be an alternative energy zone. One must be a pharmaceutical recovery renaissance zone. Eight must be redevelopment renaissance zones.

[1] For a list of these taxes, see MCL 125.2689.

Under the bill, after October 1, 2023, a qualified local government unit or units in which one of these renaissance zones was designated could, upon application to and approval by the Board of the MSF, seek to extend the duration of these renaissance zones. On application, the Board of the MSF could extend the duration of renaissance zone status.

Designation

Currently, for designations made by the Board of the MSF, the MSF may choose the beginning date, which is the date on which a renaissance zone status becomes effective; however, the date cannot be more than five years after the date of the designation and must be January 1 of the chosen year. Under the bill, this provision would apply only to designations approved on or before September 30, 2023.

Under the bill, if the Board of the MSF rescinded a designation on or after October 1, 2023, before choosing a beginning date, the renaissance zone could be redesignated by the Board of the MSF.

Delegation

The bill would allow the Board of the MSF to delegate any actions under the Act to authorized employees, officers, and agents of the MSF, which could include employees of the Michigan Economic Development Corporation (MEDC).

Reimbursement

Among other things, the Act requires the State to reimburse certain institutions, such as intermediate and local school districts, for all tax revenue lost as the result of the exemption of property from taxation. The bill would specify that the State would have to reimburse local school districts each year *based on the property's taxable value in that year*.

Additionally, the Act requires intermediate school districts, community college districts, public libraries, and local school districts eligible for reimbursement to report to and on a date determined by the Department of Treasury all revenue lost for which reimbursement is claimed. The bill would delete this requirement. Instead, the assessor of the local tax collecting unit with property exempt under the Act would have to report the property's taxable value in that year and the immediately preceding year, in a form and manner prescribed by the Department of Treasury. The Department would have to calculate the tax revenue lost because of the exemption of property under the Act, based on the property's taxable value.

MCL 125.2683 et al. Legislative Analyst: Abby Schneider

FISCAL IMPACT

The bill would increase administrative costs to the MSF and Department of Treasury to approve renaissance zones, calculate taxable value, and calculate tax revenue loss for any additional renaissance zones that were approved due to the bill. These additional costs would likely be minimal.

The bill would not have a direct fiscal impact on local governments; however, if there were an increase in renaissance zones, this would reduce State and local revenue by an indeterminate amount.

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